Australian Government

Clean Energy Regulator

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Renewable Energy Target 2012 Administrative Report

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Australian Government
Clean Energy Regulator
Office of the Chair

The Hon Greg Combet AM MP
Minister for Climate Change, Industry and Innovation
Parliament House
CANBERRA ACT 2600

Dear Minister

I am pleased to submit the Renewable Energy Target 2012 Administrative Report.

The report covers the operations of the *Renewable Energy (Electricity) Act 2000* for the 2012 calendar year.

The report is submitted for presentation to the Parliament in accordance with Section 105 of the *Renewable Energy (Electricity) Act 2000.*

Yours sincerely

Chloe Munro
Chair, Clean Energy Regulator

15 April 2013

Contents

Welcome from the Chair and Chief Executive Officer

It is my pleasure to present the Renewable Energy Target 2012 Administrative Report. This is the first Administrative Report to be produced since the former Office of the Renewable Energy Regulator was amalgamated into the Clean Energy Regulator on 2 April 2012. Established under the *Clean Energy Regulator Act 2011* as an independent statutory authority, the Clean Energy Regulator is responsible for administering legislation that will reduce carbon emissions and increase the use of renewable energy.

The Renewable Energy Target scheme is designed to fulfil the Australian Government's commitment that the equivalent of at least 20 per cent of Australia's electricity will come from renewable sources by 2020.

The Renewable Energy Target legislation includes the provision for regular reviews. In 2012 the Climate Change Authority undertook a review of the schemes in line with this requirement. The review focused on possible improvements to the Renewable Energy Target, with recommendations handed down in December 2012.[1]

Some highlights of the Renewable Energy Target 2012 reporting period include:

- more than 408,000 additional participants joining the scheme
- accreditation of 32 new renewable energy power stations, bringing the total number to 368
- an increase in the number of small-scale systems installed and registered, with over 332,000 small generation units and over 76,000 solar water heaters validated on or before 22 January 2013. Of these, small generation units created 35,633,532 valid small-scale technology certificates and solar water heaters created 2,188,509 valid small-scale technology certificates, and
- more than 85,000 pre-validation checks in the year, to ensure system compliance before certificates are passed.

The Clean Energy Regulator has the power to enforce compliance requirements under the *Renewable Energy (Electricity) Act 2000* and Renewable Energy (Electricity) Regulations 2001 and actively investigated incidences of non-compliance throughout 2012. As the result of investigations, five enforceable undertakings were accepted and

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1 *Renewable Energy Target Review, Final Report, December 2012*. Available from the Climate Change Authority website, http://climatechangeauthority.gov.au/ret/final-report.

the REC Registry accounts of two agents were suspended. Other compliance activities included 32 site visits and 82 compliance visits to discuss compliance issues with scheme participants.

As at 31 December 2012, the Clean Energy Regulator had received 5,421 completed inspection reports under the inspection program. The inspection program was established in 2011 to ensure that small-scale solar panel, wind and hydro installations meet the legislated requirements for small-scale technology certificates creation.

In 2012, the Australian Government released new Solar Credit arrangements, to build sustainability in the market in light of continued strong growth in the industry. This saw the multiplier fall from two to one for small generation unit systems installed from 1 January to 30 June 2013.

Both the large-scale generation certificate and small-scale technology certificate markets were stable during 2012, relative to 2011 when the schemes first split. This is a positive outcome for our stakeholders.

With the stability of the markets we've witnessed growth in renewable energy investment in 2012. The Clean Energy Regulator estimates that total investment in large-scale renewable energy power stations stands at around $12 billion and the generating capability of the large-scale system is in the order of 16,167 gigawatt hours of eligible renewable energy per typical year. This is equivalent to the residential electricity needs of over 2.5 million households.

The Renewable Energy Target scheme continues to gain strong industry support, evidenced by nearly 100 per cent compliance by wholesale electricity purchasers (liable entities) for 2012. Six liable entities that had carried forward large-scale generation certificate shortfalls in previous years made up their shortfalls by surrendering additional large-scale generation certificates in 2012.

I look forward to working with all our stakeholders to continue to support investment in renewable energy through the Renewable Energy Target scheme.

Chloe Munro
Chair, Clean Energy Regulator

Chapter 1

Clean Energy Regulator and the Renewable Energy Target scheme

This annual report provides details on the administration of the *Renewable Energy (Electricity) Act 2000* (the Act) during the 2012 calendar year.

The Renewable Energy Target explained

The Australian Government's Renewable Energy Target (RET) was introduced to encourage additional generation of electricity from renewable energy sources to meet the Government's commitment to achieving a 20 per cent share of renewables in Australia's electricity supply by 2020. The RET creates a financial incentive for investment in renewable sources through the creation and sale of certificates. The RET is split into two parts: the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

Under the LRET large-scale generation certificates (LGCs) are created in the online Renewable Energy Certificate (REC) Registry by renewable energy power stations. One LGC is equivalent to one megawatt hour of eligible renewable electricity generated above the power station's baseline.

Under the SRES small-scale technology certificates (STCs) are created in the online REC Registry for correctly installed solar water heaters, heat pumps and small-scale solar panel, wind and hydro systems.

Certificate demand—liable entities

The Act places a legal liability on wholesale purchasers of electricity, defined as liable entities under the Act, to proportionately contribute towards the generation of additional renewable electricity.

Liable entities support additional renewable energy generation from:

- renewable energy power stations through the purchase of LGCs. The renewable power percentage (RPP) establishes the rate of LGC liability for each calendar year. Liable entities are required to annually surrender the number of registered LGCs equal to their liability for the previous calendar year. LGCs that are marked as 'invalid due to surrender' are no longer available for use during the life of the LRET, and
- solar water heaters, heat pumps, small-scale solar panels, wind and hydro systems through the purchase of STCs. The small-scale technology percentage (STP) establishes the rate of liability for SRES and commenced on 1 January 2011. The STP is designed to remove STCs from the STC market for the current year liability. Liable entities are required to quarterly surrender the number of registered STCs equal to their required surrender amount. STCs that are marked as 'invalid due to surrender' are no longer available to reuse during the life of the SRES.

Certificate supply—eligible parties

Eligible parties transfer LGCs and STCs in the REC Registry to buyers for a negotiated price. Eligible parties include:

- renewable energy power stations such as wind, hydro, landfill gas, solar and bagasse
- owners of small-scale systems, such as solar water heaters, heat pumps, solar panel, wind and hydro systems, and
- Agents of small-scale systems.

Eligible parties can create LGCs for eligible electricity generated above the accredited renewable energy power station's baseline or STCs for eligible solar water heaters, heat pumps, small-scale solar panels, wind or hydro systems. Certificates that become registered are a tradable commodity in the certificate markets.

The certificate market

The Act allows for LGCs and STCs to be electronically transferred between REC Registry account holders (typically between eligible parties and liable entities). REC transfers are reported automatically to the Regulator in the REC Registry under Section 28 of the Act. This process is market driven with the price of LGCs and STCs determined by supply and demand. Certificate prices are not regulated by the Clean Energy Regulator.

Figure 1: Large-scale generation certificate (LGC) market

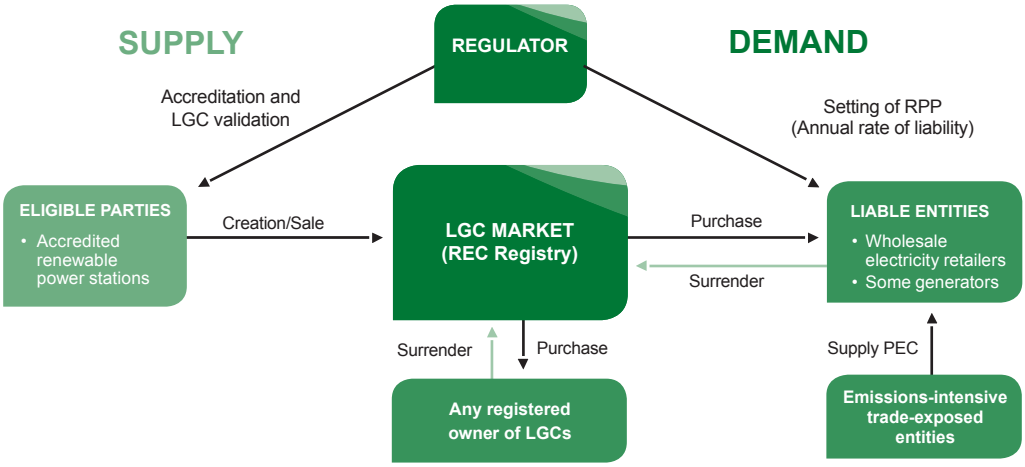
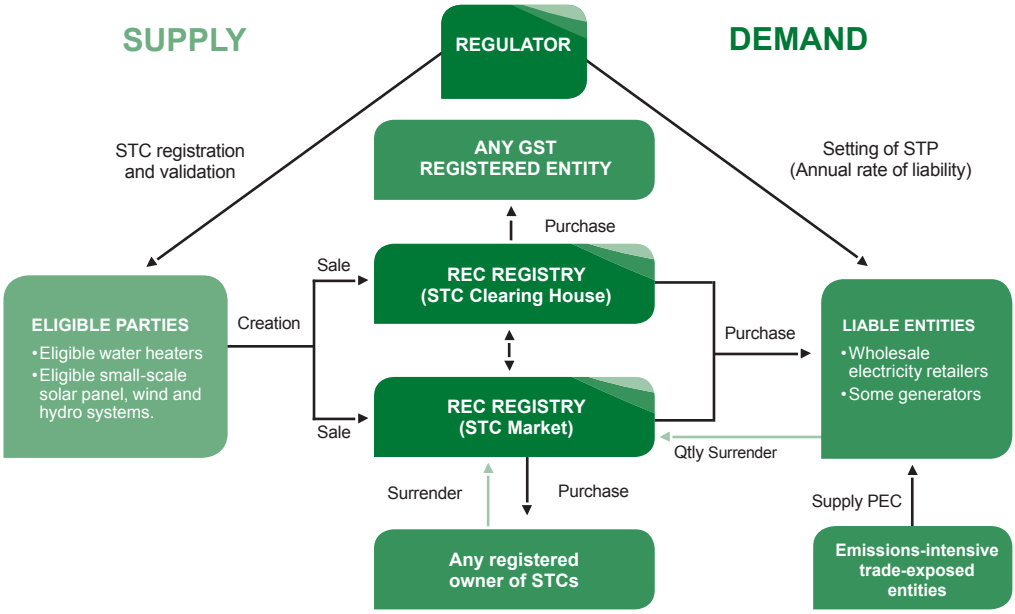


Figure 2: Small-scale technology certificate (STC) market



STC Clearing House

Valid STCs created in the REC Registry for eligible installed solar hot water, heat pump, solar panel, wind or hydro systems can be placed into the STC Clearing House for sale at the fixed price of $40 (excl. GST). STCs are only sold when there is a buyer and there is no guarantee on how long STCs will take to sell in the STC Clearing House. The STC Clearing House is located in the REC Registry.

Baselines

The main objective of the LRET is to encourage additional generation of electricity from renewable energy sources. The Clean Energy Regulator approves the 1997 eligible renewable power baseline for each power station. This determines the baseline for a pre-1997 renewable energy power station by using the average annual amount of electricity generated from eligible renewable energy sources over the 1994, 1995 and 1996 years. Schedule 3 of the Renewable Energery (Electricity) Regulations 2001 (the Regulations) provides guidelines for determining the 1997 eligible renewable power baseline for power stations. Power stations which generated electricity for the first time after 1 January 1997 have a baseline of zero. Accredited power stations are eligible to create certificates from electricity generation above the baseline.

The Renewable Energy Target process

The Act operates on a calendar year (1 January–31 December). The process for participating in the LRET and SRES is:

- Apply to become a registry user—individuals or companies wishing to become a registry user must create an account in the REC Registry. At this point individuals or companies are only able to own and transfer registered certificates or make mandatory or voluntary certificate surrender offers.
- Complete a Registered Person Application and pay an application fee—if individuals or companies wish to create certificates, a registered person application must be lodged with the Clean Energy Regulator and a $20 application fee (excl. GST) paid. If the individual or company wishes to sell their STCs via the STC Clearing House they must complete online registration and the proof of identity process.
- A Registered Person Application is approved when registration is successfully completed. A registered person may:
  - » seek accreditation of a renewable energy power station for which they are a nominated person, by applying to the Clean Energy Regulator. If the renewable energy power station is accredited, then LGCs can be created for eligible electricity generation above the renewable energy power station's baseline

- create STCs for an eligible solar water heater, heat pump, small-scale solar panel, wind or hydro system, and
- apply for registration as an Agent. If successfully registered, an Agent can create STCs on behalf of owners of solar water heater, heat pump, small-scale solar panel, wind and hydro installations who assign their right to create STCs to the Agent.

Registered certificates

STCs and LGCs created by registered persons are checked and either validated or failed by the Clean Energy Regulator.

For STCs and LGCs to be registered they must be validated and the applicable registered person must pay an 8 cent registration fee per LGC for renewable energy power stations and an 8 cent fee per STC for solar water heaters and heat pumps. If the STCs are created for a small-scale solar panel, wind or hydro system on or after 17 October 2011, a 47 cent fee must be paid per STC.

Registered certificates can be:

- transferred between parties who have an account in the REC Registry
- surrendered by liable entities to discharge their mandatory liability under the Act. Certificates surrendered by liable entities under Section 29 of the Act and accepted are marked 'invalid due to surrender' in the REC Registry, and
- voluntary surrendered under Section 28A for any reason. All registered owners of certificates can choose to make voluntary certificate surrender offers for any reason. Voluntary surrender relates to 'Voluntary Surrender' in Chapter 2 of this report.

Certificates accepted for surrender are permanently removed from the market.

Reporting period

Participants are required to report their annual activities such as electricity generation, solar water heater, heat pump, small-scale solar panel, wind or hydro system certificate information, and relevant acquisitions of electricity for each calendar year by 14 February of the following year by lodging annual returns or statements.

Legislative framework

The Act came into force on 18 January 2001, after passage through Parliament on 8 December 2000. Section 3 of the Act sets out three main objectives:

- to encourage the additional generation of electricity from renewable sources
- to reduce emissions of greenhouse gases in the electricity sector, and
- to ensure that renewable energy sources are ecologically sustainable.

The Act, which established the market for certificates, came into effect on 1 April 2001 and has been amended three times in:

- 2006—to reflect outcomes of the 2004 review followed by amendments
- 2009—to support the expansion of the RET, and
- 2010—to split the RET into two parts—the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

The Act is supported by:

- two Charge Acts that provide the rate of charge for the applicable renewable energy shortfall charge
  - » *the Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000* to support the LRET, and
  - » *the Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010* to support the SRES
- The Regulations, which provide more details on a number of issues, including eligibility criteria for renewable energy sources and criteria for accreditation of power stations and small-scale systems. For more information about regulation amendments see 'Amending the Regulations' under Chapter 3 of this report.
- Regulations referred to as transitional provisions so that LRET and SRES participants are not disadvantaged by certain legislative and Regulation amendments. As such there are two transitional provision Regulations. For more information about regulation amendments see 'Amending the Regulations' under Chapter 3 of this report.

In combination, the Act, the Charge Acts and supporting Regulations set the framework for the implementation of the RET (including the LRET and SRES).

Administering the Act

The Clean Energy Regulator was established by the *Clean Energy Regulator Act 2011* as an independent statutory authority within the former Climate Change and Energy Efficiency portfolio. The Clean Energy Regulator is accountable to the Australian Parliament through the Minister for Climate Change, Industry and Innovation. The role of the Clean Energy Regulator is determined by the provisions of a range of climate change and clean energy legislation. In particular, the Clean Energy Regulator has administrative responsibilities in relation to the:

- Carbon pricing mechanism, under the *Clean Energy Act 2011.*
- National Greenhouse and Energy Reporting Scheme, under the *National Greenhouse and Energy Reporting Act 2007.*
- Australian National Registry of Emissions Units, under the *Australian National Registry of Emissions Units Act 2011.*
- Carbon Farming Initiative, under the *Carbon Credits (Carbon Farming Initiative) Act 2011.*
- Renewable Energy Target, under the *Renewable Energy (Electricity) Act 2000.*

Role of the Clean Energy Regulator in relation to the Renewable Energy Target

The Clean Energy Regulator administers the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). The framework for the LRET and SRES is established by the:

- *Renewable Energy (Electricity) Act 2000.*
- *The Renewable Energy (Electricity) (Large-scale Generation Shortfall) Charge Act 2000.*
- *The Renewable Energy (Electricity) (Small-scale Technology Shortfall) Charge Act 2010.*
- Renewable Energy (Electricity) Regulations 2001.
- Renewable Energy (Electricity) Regulations 2001—STC Calculation Methodology for Solar Water Heaters and Air Source Heat Pump Water Heaters.

The Clean Energy Regulator implements the requirements of the legislative framework by:

- maintaining several registers, which include the
  - » Register of Renewable Energy Certificates (inactive as of 1 January 2011)
  - » Register of Small-scale Technology Certificates (made available from 1 January 2011)
  - » Register of Large-scale Generation Certificates (made available from 1 January 2011)
  - » Register of Accredited Power Stations, and
  - » Register of Applications for Accredited Power Stations
- registering STCs for solar water heaters and heat pumps and small-scale solar panels, wind and hydro systems
- managing and maintaining the online REC Registry and the STC Clearing House
- accrediting eligible renewable energy power stations
- registering LGCs for accredited renewable energy power stations
- updating and maintaining the Register of Solar Water Heaters
- managing the partial exemption process for emissions-intensive trade-exposed (EITE) industries
- assessing the Annual Energy Acquisition Statements (AEAS) lodged by liable entities and imposing any Renewable Energy Shortfall Charge
- monitoring compliance with the Act
- managing inspections of small-scale solar panels, wind and hydro installations for which certificates have been created, and
- communicating the Act and Regulations to participants.

Further detail is provided below.

Maintaining a register of registered persons

Under Section 135 of the Act, the Clean Energy Regulator must maintain a register of registered persons, accredited power stations, certificates and applications for accredited power stations. These registers are maintained and accessible through the REC Registry. Under the Act certain information from these registers is required to be made publicly available on the REC Registry.

Registration of registered persons

Individuals and companies must be registered before they can seek accreditation of renewable energy power stations, create LGCs above the renewable energy power station's baseline or create STCs for eligible small-scale systems such as solar hot water, heat pump, solar panel, wind or hydro systems. Each registered person is allocated a unique registration number, which is accessible from the register of registered persons.

Accreditation of eligible renewable energy power stations

Renewable energy power stations must apply for accreditation in order to participate in the LRET. Nominated persons of accredited renewable energy power stations may be eligible to create LGCs in respect of the eligible generation above the baseline.

The accreditation process includes:

- verification that the renewable energy power station meets eligibility criteria as specified in the legislation
- verification that a renewable energy power station is using one or more renewable/ eligible energy sources
- allocation of a unique accreditation code if the renewable energy power station is accredited, and
- establishment of an annual baseline. The baseline for renewable energy power stations that started generating electricity after 1 January 1997 is zero and for pre-1997 renewable energy power stations is non-zero.

Registration of certificates

Certificates must be created by registered persons, pass validation checks conducted by the Clean Energy Regulator and have a registration fee paid by the registered person in order to become registered certificates. There are three types of registered persons:

- nominated persons for renewable energy power stations
- individual owners of small-scale systems, and
- Agents for small-scale systems.

Registered certificates can be transferred to other persons voluntarily surrendered under Section 28A of the Act or surrendered to discharge a mandatory liability under Sections 29, 44, 44A, 45, 45C, 45D and 95 of the Act. Certificates surrendered to discharge a mandatory liability incur a fee per certificate surrendered.

Monitoring and compliance

All participants of the LRET and SRES must comply with relevant sections of the Act, Charge Act and Regulations for the creation of certificates, reporting and other requirements.

The Clean Energy Regulator uses intelligence analysis and risk assessment to make strategic decisions about compliance activities undertaken, with the intent to maximise the number of stakeholders who voluntarily comply with their obligations under the Act.

Monitoring and compliance activities involve:

- assessing and overseeing the submission of annual returns and statements such as
  - » annual Electricity Generation Returns (EGR). Nominated persons for renewable energy power stations report their renewable electricity generation above the baseline and LGC creation in the EGR
  - » annual Solar Water Heater and Small Generation Unit Returns (SWH/SGUR). Agents report STC information with respect to the number of small-scale systems that were entitled to STCs, and
  - » AEAS and Renewable Energy Shortfall Statements (RESS). Liable entities are required to lodge an AEAS or RESS and acquit their liability by surrendering certificates and/or paying a Renewable Energy Shortfall Charge (RESC) in accordance with the Act. Liable entities that have a LGC shortfall less than 10 per cent of the total liability in a given year are not required to pay the Large-scale Generation Shortfall Charge (LGSC) and are allowed to carry forward the certificate shortfall without paying the LGSC. Where applicable, the Clean Energy Regulator imposes any penalties for non-compliance within the provisions of the legislation. The RESC equals $40 per certificate (excl. GST) not surrendered for the 2001—2009 compliance years and $65 per certificate (excl. GST) for the 2010 and future compliance years. Where applicable, the Act allows liable entities to redeem any LGC shortfall, if shortfalls are acquitted by surrendering additional certificates in addition to the current compliance year within three years of the shortfall year
- analysis of information reported by registered persons and corporations
- desktop investigations, including data analysis
- checks against third party data and other innovative analysis techniques
- targeted investigations using authorised officers. This includes but is not limited to site visits, outreach visits, monitoring warrants and compliance visits, and
- ensuring the integrity of the RET scheme by undertaking audits of eligible parties and liable entities. Audits include

» liability assessment audits—these seek to verify the information provided in the AEAS or RESS, and

» eligibility assessment audits—these seek to verify information provided in the EGR or SWH/SGUR or the creation of LGCs and STCs.

Audits not only help liable entities and eligible parties understand the application of the RET, LRET and SRES to their circumstances, but also provide feedback to the Clean Energy Regulator on areas where systems might need some improvement. The field audits undertaken in 2012 confirmed that audited parties were consistently reporting in accordance with the legislation. It was found that a small number of parties could improve the internal procedures that related to reporting of relevant acquisitions.

Issuing partial exemptions

Eligible prescribed persons, typically entities that carry on emissions-intensive trade-exposed (EITE) activities, may apply for a Partial Exemption Certificate (PEC) each calendar year by completing the Application for a Partial Exemption Certificate form. For 2012 and future years, the application is typically due before 31 March of the year to which it relates.

All applications received are assessed by the Clean Energy Regulator for compliance with legislative requirements for the making of PEC applications.

If an application is approved, the Clean Energy Regulator will issue the prescribed person with a PEC stating the amount of megawatt hours of electricity for which exemption can be provided to the liable entity named on the PEC (usually the retail electricity supplier) for electricity used in the EITE activity in the year mentioned on the PEC.

Information about partial exemptions (including details of PECs that have been issued) is published on the Clean Energy Regulator website in accordance with Section 38C of the Act and 22E of the Regulations.

Publishing information as required under the legislation

The Act and Regulations require that the Clean Energy Regulator publishes a range of information.

The Clean Energy Regulator:

- may publish a list of liable entities that have a shortfall for a particular year, including the amount of each liable entity's shortfall for that year, and the proportion of that shortfall relative to the liable entity's required renewable energy for that year (Section 134)

- must publish a list of liable entities that received PECs before 1 October each year (Section 38C and Regulation 22E). This includes any revisions, the value in dollars estimated by the Clean Energy Regulator of the amount of the entity's partial exemption for the year and the name of the prescribed person
- must publish the renewable power percentage for the year, before 31 March of the year that it applies to (Section 39 and Regulation 23)
- must publish the small-scale technology percentage (STP) for the year, before 31 March of the year that it applies to (Section 40A and Regulation 23A) and an estimate of the STP for the next two years (Section 40B)
- must publish
  - » before 1 October each year, the total amount of partial exemptions given for each EITE activity for that year (Section 38C and Regulation 22E), and
  - » within 14 days after the PEC is issued, the name of the prescribed person to whom the PEC is issued and the EITE activity set out in the PEC (Section 38C and Regulation 22E)
- must, by 31 October in the given year, publish the volume weighted average market price for a REC/LGC including a brief description of the method used to arrive at the estimate and weigh the prices and volumes for RECs/LGCs. This information must include details of the sources of information used (Regulation 22ZH). This is applicable to the partial exemption assistance rate
- must publish enforceable undertakings accepted by the Clean Energy Regulator (Section 154Q)
- must, at intervals of no more than six months, publish on the Clean Energy Regulator website an invitation to invite persons (Regulation 19BD) to make requests for determinations under Regulations 19BC and 19BA for determination of the number of certificates for solar water heaters. This includes a 30 day period for requests
- must, for each quarter within a period mentioned in Regulations 20AA, and within 28 days after the end of the quarter from 1 January 2011, publish details of out of pocket expenses incurred for small generation units (SGUs) where STCs are created during the quarter (Regulation 19G)
- must publish details of any determination made by the Clean Energy Regulator in relation to eligible premises (Regulation 20AB and 20AA(5))
- must, for each year, publish the number of inspections conducted under Part 7—inspections of small generation units during the year. The Clean Energy Regulator may also publish any other general information about inspections that the Clean Energy Regulator considers appropriate (Regulation 32), and

- may publish the name of a person if they are declared ineligible to design and install SGUs for the purposes of Regulation 20AC, providing that the person has been subject to adverse findings on three separate occasions (Regulation 47).

Together the Act and the Regulations refer to documents used by LRET and SRES participants to comply with the legislation for eligibility purposes. Subsequently the Clean Energy Regulator is required to publish and maintain documentation used by manufacturers of solar water heaters and heat pump water heaters to calculate the eligible amount of STCs for individual solar water heater and heat pump water heater models. Documentation for this purpose includes:

- REC calculation methodology for solar water heaters and heat pump water heaters with a volumetric capacity over 700 litres
- REC calculation methodology for solar water heaters and heat pump water heaters with a volumetric capacity up to and including 700 litres, and
- heat loss test procedure for solar water heaters with a hot water storage tank greater than 630 (Regulation 3A).

The Register of solar water heaters (Section 23AA and Regulation 19C) lists models that are determined eligible under the applicable Australian and New Zealand standards together with the Act and Regulations.

Requests to review decisions

A person who has received a decision from the Clean Energy Regulator can lodge a formal review request to reconsider the decision under:

- Part 6 of the Act
- Regulation 49 of the Renewable Energy (Electricity) Regulations 2001, and
- Regulation 11 of the Renewable Energy (Electricity) Amendment (Transitional Provisions) Regulations 2010.

In some cases, it may be possible to resolve issues with the Clean Energy Regulator contact officer without a formal review.

If issues cannot be resolved without a review, an affected person can lodge a request for a review. The request for a review must be lodged in writing. To assist the Clean Energy Regulator in reviewing the decision, the request should state in detail the grounds for review. The request for a review of the decision must be given to the Clean Energy Regulator within 60 days after the decision is made.

At this point the Clean Energy Regulator can appoint an officer who was not involved in the original decision to assist in the review. The Clean Energy Regulator reviews the original decision with reference to the reviewing officer's recommendation. The person seeking the review will be informed in writing, explaining the reasons for the review decision. The original decision is confirmed if the Clean Energy Regulator does not give written notice of the review decision within 60 days of the request.

If the affected person is not satisfied with the review decision they can apply to the Administrative Appeals Tribunal for a review of the decision.

A list of decisions can be found on the Clean Energy Regulator website.

No applications for internal review under Section 66 of the Act were lodged in 2012.

Chapter 2

2012 activity

Summary of 2012

The Act operates on a calendar year basis. This report focuses on the operation of the Act between 1 January and 31 December 2012. In some areas, previous data is provided for comparison purposes.

Table 1: 2012 activity

Activity	Details
Number of registered person applications approved	1,128
Number of renewable energy power stations accredited	32
Number of applications for Partial Exemption Certificates	165
Number of small-scale systems registered with validated STCs[1]	409,225
Number of LGCs validly created[2]	11,442,038
Number of STCs validly created[2]	37,827,694
Number of STCs converted to LGCs	300,000
Busiest month for LGC creation	November
Busiest month for STC creation	June
Number of liable parties with a 2011 LGC shortfall	6
Percentage liability acquitted for 2011 by LGC surrender	99.97%
Number of applications for annual transfer number	13
Number of SGUs inspected under Section 23AAA[3]	5,421

1 These figures are based on the date the system was installed and are current as at 27 January 2013. These numbers are likely to increase as certificates can be created up to 12 months after the date the system was installed.

2 Validated by the Clean Energy Regulator on or before 27 January 2013.

3 Number of final inspection reports received by the Clean Energy Regulator up to 31 December 2012.

Registration of persons

During 2012, the Clean Energy Regulator approved 1,128 applications to be a registered person.

The registrations covered a range of individuals and companies seeking to create certificates for renewable energy power stations or small-scale systems.

The growth in applications predominately relates to an increase of individuals wanting to create certificates for their small-scale systems.

As at 31 December 2012, the total number of registered person accounts since commencement of the scheme reached 7,058.

Registered Agents for small-scale systems

In 2012, the Clean Energy Regulator registered 263 Agents, bringing the total number of Registered Agents to 1,346 as at 31 December 2012.

Assessing the validity of created certificates

A total of 212,558,023 certificates had been created in the Renewable Energy Certificate (REC) Registry as at 31 December 2012. In accordance with the Act:

- only registered large-scale generation certificates (LGCs) created between 2001–2011 can be used to acquit a liable entity's 2011 LGC liability
- only registered small-scale technology certificates (STCs) created by 31 December 2011 or directly purchased from the STC Clearing House between 1 January 2011 to 14 February 2012 and surrendered can be used to acquit a liable entity's 2011 STC liability, and
- only parties that applied to transfer STCs to LGCs were allowed in the REC Registry to convert STCs to LGCs. As at 31 December 2012, a total of 599,564 STCs were converted to LGCs.

Table 2: Certificate activity summary for 2012

Certificate activity	LGCs	STCs
Created	11,678,385	39,373,291
Failed validation audit	77,108	1,505,934
Passed validation audit	11,766,184	37,522,138
Registered	11,794,355	37,683,959
Transferred successfully	39,267,323	100,773,857
Entered STC Clearing House	-	5,731,533
Transferred successfully in STC Clearing House	-	1,118,446
Withdrawn from STC Clearing House	-	6,342,424
Bought from STC Clearing House	-	4,842
Converted from STC	300,000	-
Accepted for annual surrender	10,569,483	-
Accepted for voluntary surrender	2,648,368	8,300
Accepted for quarterly surrender	-	43,853,571

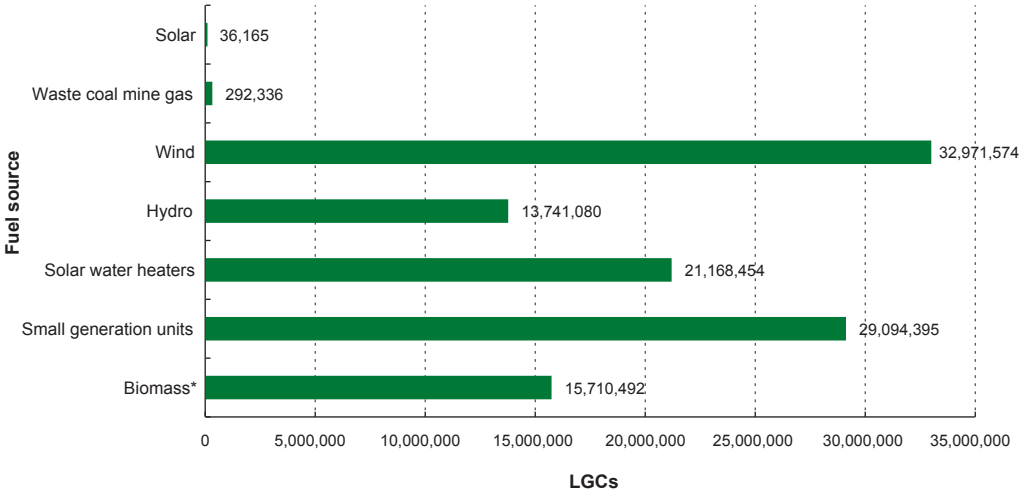
Note: This table replaces the table from previous administrative reports which summarised end of year certificate statuses. The activities represent transactions that involved certificates in the REC Registry. Not all transactions are shown.

Details of the 2012 liability compliance year will be provided in the Renewable Energy Target 2013 Administrative Report.

As shown in the following graphs, a wide range of eligible renewable energy sources were used to create certificates in 2012. Not all accredited renewable energy power stations, Agents or individuals created certificates in 2012.

As was the case in previous years, the Clean Energy Regulator recommended that registered persons create their eligible certificates by 31 December 2012 to ensure certificates could be validated by the Clean Energy Regulator in January 2013 and be available for trading to liable entities prior to the compliance date of 14 February 2013.

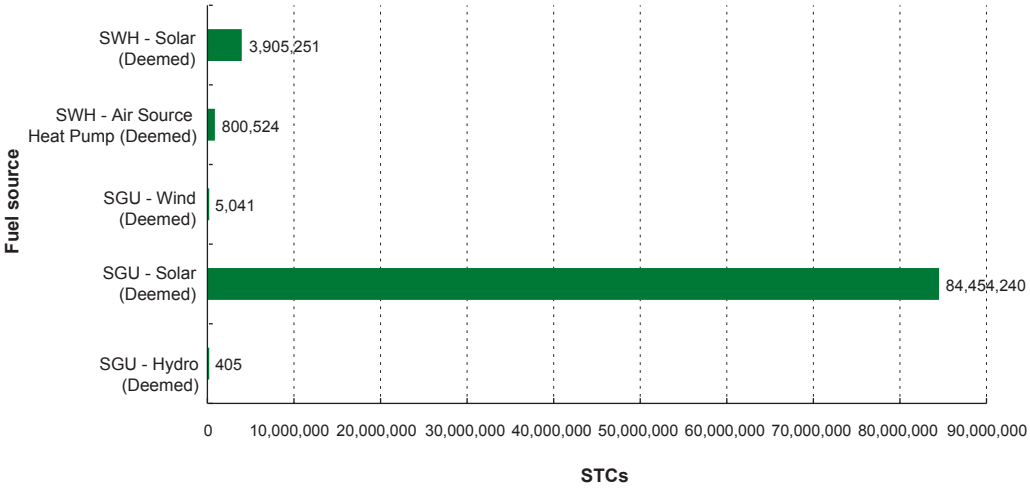
Graph 1: LGCs validly created by 31 December 2012 for eligible/renewable energy sources under the LRET



* Biomass includes multiple energy sources under the Act (agricultural waste, bagasse, bagasse co-generation, biomass-based components of municipal solid waste, black liquor, crop waste, energy crops, food and agricultural wet waste, food processing waste, food waste, municipal solid waste combustion, sewage gas, sewage gas and biomass-based components of sewage, waste from processing of agricultural products and wood waste).

Note: Validated on or before 27 January 2013.

Graph 2: STCs validly created by 31 December 2012 by eligible small-scale systems under the SRES



Note: Validated on or before 27 January 2013.

Certificates created by power stations

Under Section 19 of the Act, accredited renewable energy power stations were allowed to create certificates for eligible renewable electricity generated above the renewable energy power station's baseline for the 2011 generation year by the 31 December 2012 deadline. Renewable energy power stations that did not create certificates within the allowed timeframe are no longer eligible to create certificates for eligible renewable electricity generated in the 2011 generation year.

Certificates created by small-scale systems

Under Section 21 of the Act, eligible solar water heater and heat pump water heater certificates must be created within 12 months of the installation date.

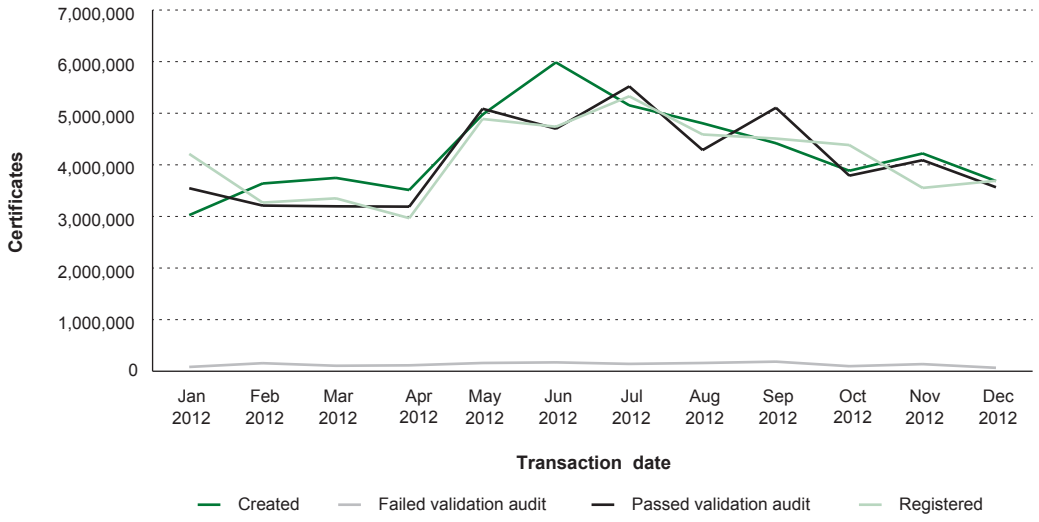
Under Regulation 19D of the Regulations for Section 23A of the Act, eligible small-scale solar panel, wind and hydro (referred to as SGUs) installed on or after 6 October 2007 must create certificates:

- within 12 months of the installation date for a one year or five year period
- at the end of the period that the right was exercised to create certificates. For example, a person created certificates for an installation for one year. At the end of that period the person may create certificates for another year until the end of the scheme, and
- within 12 months of the installation date for a 15 year period. If this option is chosen no further certificates can be created for the installation.

SGUs installed between 1 April 2001 and 5 October 2007 are eligible to create certificates at any time for a one or five year period. At the end of each period owners or Agents (if the certificates have been assigned) can create certificates for the next deeming period.

If Agents or individuals do not create certificates within the allowed timeframe they are no longer eligible to create certificates for their small-scale installation.

Graph 3: Number of certificate (LGCs and STCs) transactions by month for 2012



Accreditation of power stations

For the Clean Energy Regulator to assess an Application for Accreditation of a Power Station, the applicant (nominated person—owner or operator of the power station) must successfully complete and submit all sections of the application and supply sufficient supporting evidence to demonstrate that the renewable energy power station can be accredited under the Large-scale Renewable Energy Target (LRET).

A Clean Energy Regulator assessor will verify that all required information has been submitted and that the nominated person is a registered person on the REC Registry. Once the initial assessment has been completed, the nominated person is notified to pay an accreditation fee through the REC Registry. After the fee has been paid, the nominated person is notified that the application is deemed 'properly made' under Section 13 of the Act. Details of the renewable energy power station are then listed on the public Register of Applications for Accredited Power Stations which can be accessed via the REC Registry.

From the time the application is deemed 'properly made', the Clean Energy Regulator has six weeks to determine matters under Section 14 of the Act and either approve or refuse the application under Section 15 of the Act. If the application is approved, the accreditation start date is the date the application was deemed 'properly made' under the Act or the date the power station started generating electricity for the first time, whichever is later. The nominated person is then notified of the accreditation of the power station and the power station is listed on the public Register of Accredited Power Stations. The nominated person is then able to create LGCs from the date of accreditation.

Of the 410 renewable energy power station applications listed in the REC Registry as at 31 December 2012:

- 368 renewable energy power stations were accredited and eligible to create LGCs from renewable energy sources under the Act. This includes 32 renewable energy power stations that were accredited in 2012.
- 15 renewable energy power stations have been de-accredited. No renewable energy power stations were de-accredited in 2012.
- two renewable energy power station applications were pending registration.
- 21 renewable energy power station applications were withdrawn, because applications were not 'properly made' by applicants. No renewable energy power station applications were withdrawn in 2012.
- four renewable energy power station applications were not approved.

During 2012, no accredited power stations were suspended under Section 30D or 30E of the Act.

Requesting variations to renewable energy power station accreditations

In 2012, the Clean Energy Regulator received one request from a registered person to vary the renewable energy power station baselines for their power stations under Section 30F. The registered person applied for the baseline variations as they have requirements to release water for environmental flows into the Snowy Montane Rivers and Snowy River. In this case, the Clean Energy Regulator will make a decision in January 2013 on the renewable energy power station's baselines under Section 30F of the Act and Regulation 20E of the Regulations.

Table 3: Comparative number of renewable energy power stations accredited

Renewable energy source	Accredited in 2011	Accredited in 2012
Agricultural waste	0	2
Food processing waste	1	0
Food waste	0	1
Hydro	5	0
Landfill gas	0	1
Sewage gas and biomass-based components of sewage	0	1
Solar	6	11
Waste coal mine gas	0	7
Wind	8	7
Wood waste	0	2
Wood waste | Biomass-based components of municipal solid waste	1	0
Total number accredited in a year[1]	**21**	**32**

1 Certain power stations are accredited for multiple fuel sources.

Note: In the 2011 Administrative Report it was incorrectly reported that one power station under the food processing waste renewable energy source was de-accredited in 2011. No power stations were de-accredited in 2012.

Table 4: Comparative number of accredited renewable energy power stations

Renewable energy source	Accredited up to 2011	Accredited up to 2012
Agriculture, food and agriculture waste	9	12
Bagasse co-generation, energy crops	27	27
Black liquor	2	2
Landfill gas	59	60
Hydro	100	100
Sewage gas and biomass-based components of sewage and municipal solid waste	17	18
Solar	46	57
Waste coal mine gas	0	7
Wind	61	68
Wood waste	15	17
Total[1]	**336[2]**	**368**

1 Certain power stations are accredited for multiple fuel sources.

2 In the 2011 Administrative Report it was incorrectly reported that one power station was de-accredited in 2011. It was not de-accredited. The total number of power stations for 2011 has been revised accordingly.

Note: Administrative error in reporting the total amount of Landfill gas and Hydro power stations. The figures have been reported in reverse. The table has been amended to reflect the correct number of Landfill gas and Hydro power stations.

Table 5: Number of accredited renewable energy power stations by state and territory as at 31 December 2012

Renewable energy source	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Agriculture, food and agriculture waste	0	4	1	2	0	1	2	2	12
Bagasse co-generation, energy crops	0	3	0	23	0	0	0	1	27
Black liquor	0	1	0	0	0	0	1	0	2
Landfill gas	2	15	1	13	4	3	13	9	60
Hydro	1	31	0	10	1	34	20	3	100
Sewage gas and biomass-based components of sewage and municipal solid waste	0	8	0	4	0	1	4	1	18
Solar	1	13	13	8	5	1	6	10	57
Waste coal mine gas	0	4	0	3	0	0	0	0	7
Wind	0	8	0	3	15	7	16	19	68
Wood waste	0	7	0	4	1	1	3	1	17
Total[1]	**4**	**94**	**15**	**70**	**26**	**48**	**65**	**46**	**368**

1 Certain power stations are accredited for multiple fuel sources.

Partial exemption certificates

In 2012, the Clean Energy Regulator received 165 partial exemption certificate (PEC) applications by the legislated deadlines. Applications from prescribed persons spanned 44 of the 46 eligible EITE activities.

As at 31 December 2012, 165 PECs were issued totalling 33,450 gigawatt hours of partial exemption under the legislation.

In accordance with Regulation 22E(2) of the Regulations, the name of the person to whom a PEC is issued and the EITE activity that the PEC relates to is published on the Clean Energy Regulator website.

Table 6: Total amount of 2012 partial exemptions given for each EITE activity as at 31 December 2012

EITE activity	Partial exemption (MWh)
Alumina refining	984,961
Aluminium smelting	21,845,559
Cartonboard manufacturing	44,221
Dry pulp manufacturing	0
Integrated iron and steel manufacturing	1,137,512
Integrated production of lead and zinc	51,857
Manufacture of carbon steel from cold ferrous feed	627,414
Manufacture of newsprint	1,032,192
Manufacture of reconstituted wood-based panels	211,647
Packaging and industrial paper manufacturing	843,546
Petroleum refining	1,240,639
Printing and writing paper manufacturing	96,405
Production of ammonia	95,945
Production of ammonium nitrate	86,443
Production of bulk flat glass	40,281
Production of carbamide (urea)	19,081
Production of carbon black	0
Production of ceramic floor and wall tiles	7,657
Production of chlorine gas and sodium hydroxide (caustic soda) solution	242,930
Production of clinker	327,313
Production of coke oven coke	2,198
Production of copper	749,547
Production of ethene (ethylene)	78,643
Production of fused alumina	30,602
Production of fused zirconia	8,304
Production of glass beads	2,981
Production of glass containers	184,165
Production of high purity ethanol	27,706
Production of hydrogen peroxide	6,467
Production of iron ore pellets	47,258
Production of lime	59,669
Production of liquefied natural gas	1,286
Production of magnesia	98,470
Production of magnetite concentrate	104,134
Production of manganese	744,405
Production of methanol	9,808
Production of polyethylene	108,250
Production of polymer grade propene (polymer grade propylene)	8,574
Production of rolled aluminium	93,602

EITE activity	Partial exemption (MWh)
Production of silicon	260,707
Production of sodium carbonate (soda ash) and sodium bicarbonate	25,283
Production of sodium silicate glass	260
Production of synthetic rutile	31,567
Production of white titanium dioxide (TiO_2) pigment	56,293
Smelting zinc	1,605,248
Tissue paper manufacturing	169,963
Total	**33,450,993**

Note: In accordance with Regulation 22E(3) of the Regulations, the total amount of partial exemptions given for each EITE activity must be published by 1 October in the year to which the partial exemptions relate.

Volume weighted average market price for a REC/LGC

Under Regulation 22ZH of the Regulations, the Clean Energy Regulator is required to estimate and publish the volume weighted average market price for a LGC for the 2013 year, by 31 October 2012.

The Clean Energy Regulator estimated the volume weighted average market price for a LGC for the 2013 year at $38.69 and published this, along with the methodology used to estimate the volume weighted average market price, on the Clean Energy Regulator website. The volume weighted average market price for a LGC for the 2013 year is factored into the calculation of the partial exemption assistance rate for the year.

Small-scale installations

From 1 April 2001 to 31 December 2012, more than 1,731,300 small-scale installations created certificates in the REC Registry and were validated by the Clean Energy Regulator.

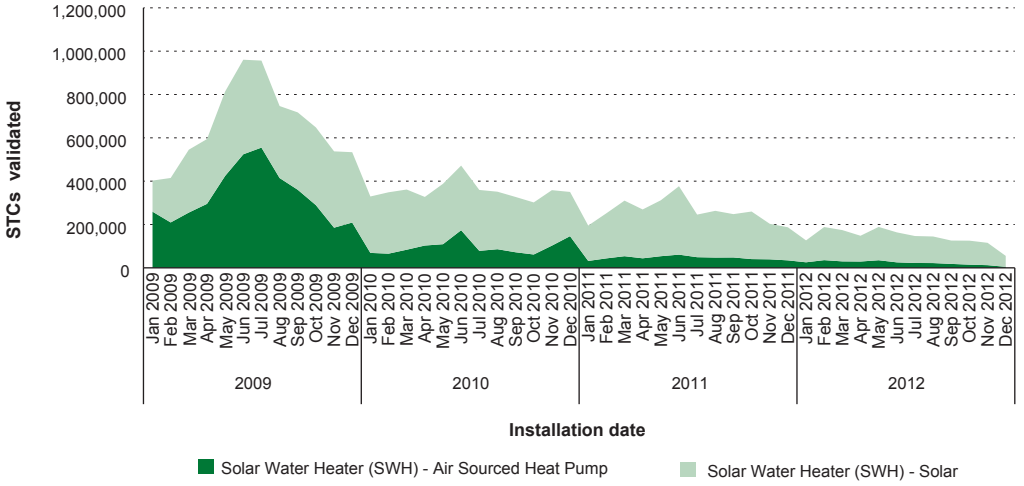
Of these, more than 76,161 solar water heater (SWH) and 333,094 small-scale solar panel, wind and hydro (referred to as SGUs) installations created valid certificates between 1 January 2012 and 31 December 2012. Of the SGU installations, solar panels make up 99 per cent of the installations followed by wind (0.01 per cent).

During 2012:

- Approximately 4,900 SWH installations were installed each month compared to approximately 8,750 per month in 2011.
- Approximately 26,000 SGU installations were installed each month compared to approximately 30,000 per month in 2011.

Graph 4: Number of certificates validated for solar hot water and heat pump installations 2009–2012

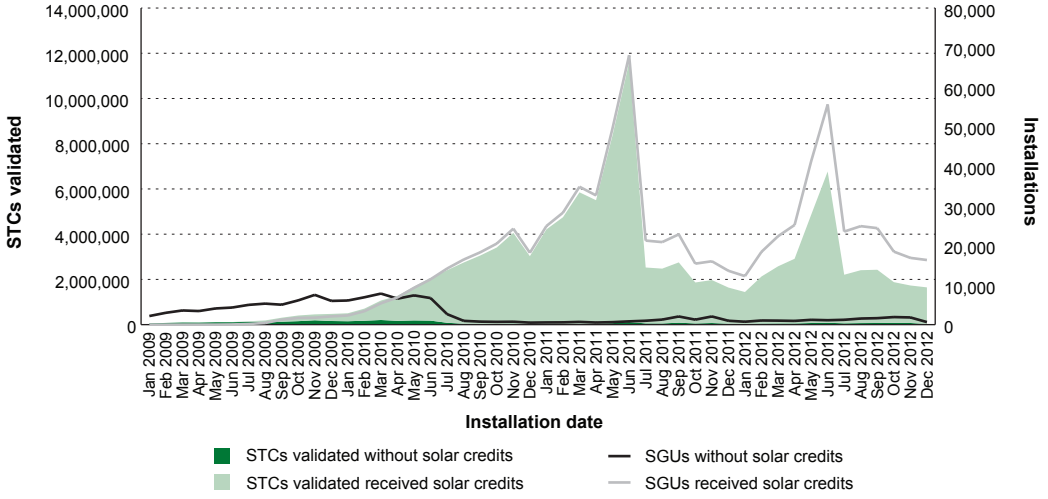
The graph below represents valid certificates created by the two solar water heater types (solar and heat pump). Solar hot water systems accounted for 84 per cent of certificates deemed in 2012, followed by heat pump water heaters which equated to 16 per cent of all certificates respectively.*



* These figures are based on the date the system was installed and are current as at 27 January 2013. These numbers are likely to increase as certificates can be created up to 12 months after the date the system was installed.

Graph 5: Small generation units and Solar Credits 2009–2012

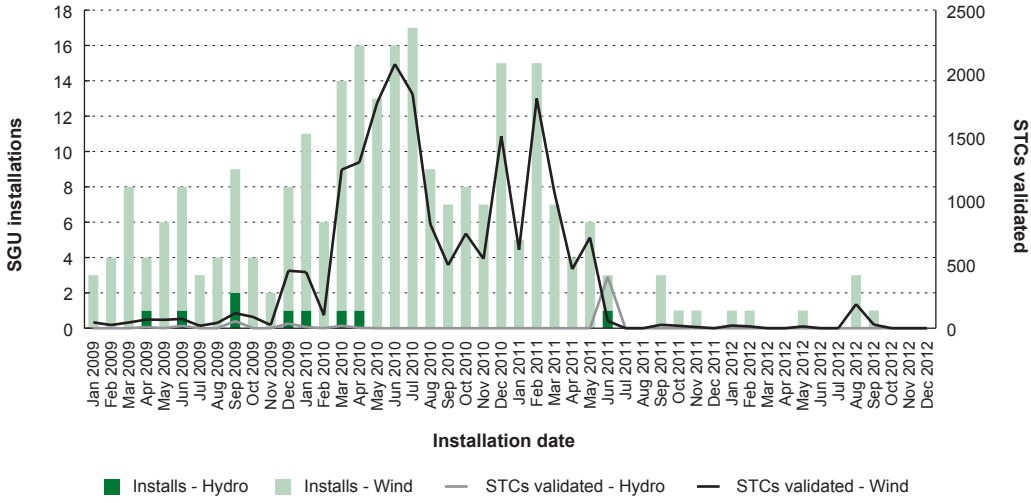
The graph below represents valid certificates created by small-scale solar panel, wind and hydro systems (referred to as SGUs). The total number of SGUs installed in 2012 was 314,312. Of these around 95 per cent, or 299,462 systems received Solar Credits.*



* These figures are based on the date the system was installed and are current as at 27 January 2013. These numbers are likely to increase as certificates can be created up to 12 months after the date the system was installed.

Graph 6: Small generation wind and hydro systems 2009–2012 activity

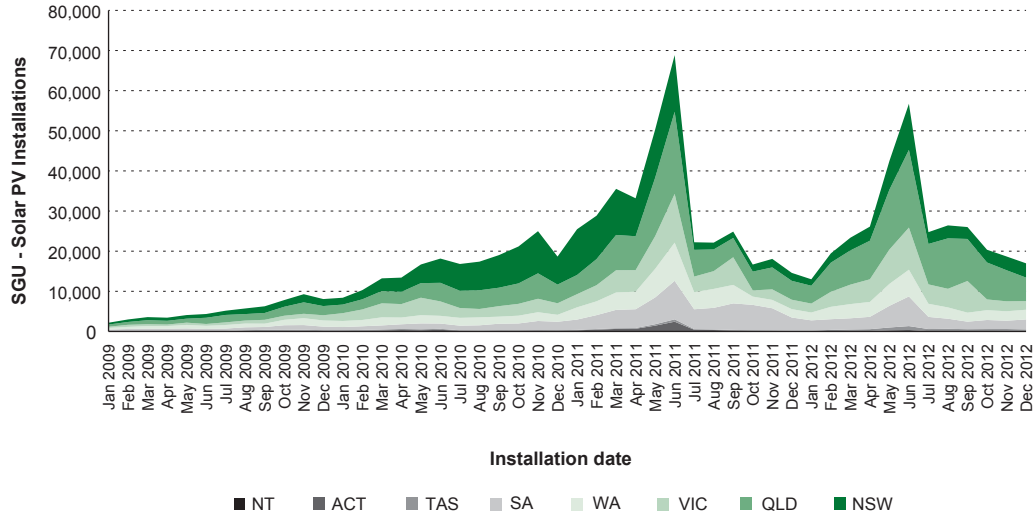
The graph below represents the number of systems installed against the number of certificates validated. Solar panel systems were the most popular SGU installed during 2012, followed by wind systems with seven systems installed, receiving 266 certificates.*



* These figures are based on the date the system was installed and are current as at 27 January 2013. These numbers are likely to increase as certificates can be created up to 12 months after the date the system was installed.

Graph 7: Solar panel installations by state 2009–2012

The graph below represents the number of solar panel installations registered by state. The greatest number of solar panel installations in 2012 was in Queensland (38 per cent) followed by Victoria (19 per cent) and New South Wales at (15 per cent).*



* These figures are based on the date the system was installed and are current as at 27 January 2013. These numbers are likely to increase as certificates can be created up to 12 months after the date the system was installed.

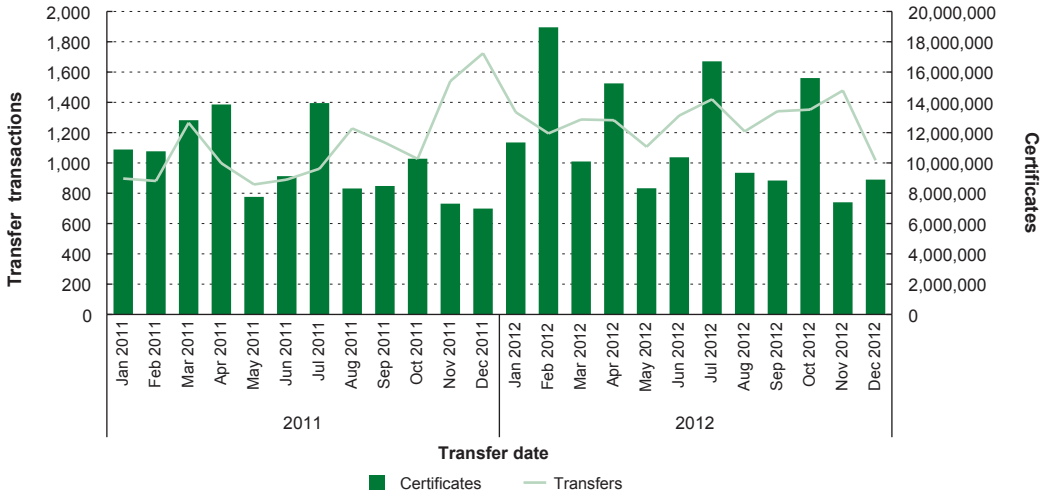
Certificate transfer activity

From 2001 to end 2012, a total of 51,128 successful transfer requests took place in the REC Registry, representing a total of 403,159,626 certificates transferred.

Of these, during 2012, there were:

- 15,335 accepted transfers, representing a volume of 141,159,626 certificates
- 524 transfers cancelled by the sellers, representing a volume of 7,643,873 certificates, and
- 72 transfers rejected by the buyers, representing a volume of 283,110 certificates.

Graph 8: Number of certificate (LGCs and STCs) transfers by month in 2011 and 2012



STC Clearing House

The amendments to the Act in June 2010 introduced the establishment of an optional STC Clearing House to facilitate the exchange of STCs between buyers and sellers at a fixed price of $40 (excl. GST). The STC Clearing House has been accessible via the REC Registry from early January 2011. LGCs are not included in the STC Clearing House.

Buy orders

In 2012, there was one significant purchase in the STC Clearing House valued at $213,004 (incl. GST), while another single purchase was processed that was a user instigated ‘test transaction’ of only one STC ($44 incl. GST). The total value of transactions was $213,048 (incl. GST), for a total of 4,842 STCs.

A total of $2,260 was refunded to buyers for GST not required to be paid to seller.

Sell orders

There were a total of 16 sell orders matched to the buy orders via the STC Clearing House. In total $210,788 (excl. GST) of sell orders were transacted through the STC Clearing House, processing the 4,842 STCs that were traded. Of the STCs traded, 565 certificates were for sellers not registered for GST, mostly homeowners. The average transaction of non GST registered sales was 141 STCs at a value of $5,640. The largest transaction was 208 STCs at a value of $8,620 (excl. GST).

The STC Clearing House also processed 87 transactions for GST registered sellers. A total of 4,277 STCs totalling $188,188 (incl. GST) were bought from these sellers. The largest transaction in this category was for 2,081 STCs at a value of $91,564 (incl. GST) and the average transaction was 356 STCs at a value of $15,682 (incl. GST).

Voluntary surrender

All registered owners of certificates can choose to make voluntary certificate surrender offers for any reason under Section 28A of the Act.

As one example, individuals or companies may choose to make voluntary surrender certificate offers to encourage additional generation of electricity from renewable energy sources and to meet GreenPower obligations.[2] If offers are made for this, or similar reasons, they are considered to be voluntary surrender offers.

As another example, individuals or companies may choose to make voluntary surrender certificate offers. Offers may be made in order to offset the impacts of improper creation of certificates under the civil penalties and other remedies provisions of the legislation, or to enforceable undertaking obligations under Section 154Q of the Act. If offers are made for these reasons they are considered to be non-compliance surrender offers.

Any certificate accepted for voluntary surrender is permanently removed from the market and cannot be transferred to another party or be used to discharge a mandatory surrender liability under the Act. Once certificates are accepted by the Clean Energy Regulator they are marked as ‘invalid due to voluntary surrender’ in the REC Registry.

As at 31 December 2012 a total of 11,914,413 certificates, representing 803 offers, had been accepted for voluntary surrender in the REC Registry. Table 7 confirms the number of certificates accepted for voluntary surrender. Graph 9 represents the number of voluntary surrender offers made per month in the REC Registry between 2011 and 2012 calendar years.

[2] For more information on GreenPower visit www.greenpower.com.au.

Table 7: Certificates accepted for voluntary surrender from 2007 to 31 December 2012

Calendar Year	LGC Voluntary	Non compliance	STC[1] Voluntary	Non compliance	Total number of certificates and offers accepted for other surrender
2012[2 3]	2,582,385	26,251	319	9,395	2,618,350 representing 214 offers
2007–2011	9,243,806	44,855	29	7,373	9,296,063 representing 589 offers
Total	**11,826,191**	**71,106**	**348**	**16,768**	**11,914,413[4] representing 803 offers**

1 STCs were first created from 1 January 2011.

2 The busiest month for voluntary surrender was March, with 1,626,274 LGCs offered, representing 89 offers. One of the driving factors that increases the number of certificates surrendered annually is GreenPower participants' voluntary surrender of certificates to meet their annual obligations by 31 March for the previous year. Voluntary surrender for GreenPower purposes represents approximately 80.5 per cent for 2012 and 91.7 per cent for 2011.

3 On 28 June 2010 civil penalty and other remedies, including enforceable undertaking provisions, were introduced into the legislation. The busiest month in 2012 for non-compliance surrender was October with 15,562 certificates offered, representing 11 offers, closely followed by May with 15,193, representing 16 offers.

4 This total assumes that LGCs and STCs offered at 31 December 2012 with a status of pending voluntary surrender will be accepted for voluntary surrender in early 2013.

Graph 9: Number of voluntary surrender certificates accepted by month in 2011 and 2012

Compliance and assessment of annual statements and returns

The 2012 compliance period commenced on 1 January 2012 and ended on 31 December 2012. The due date for the lodgement of the Electricity Generation Return (EGR), Solar Water Heater and Small Generation Unit Return (SWH/SGUR), Annual Energy Acquisition Statement (AEAS) and Renewable Energy Shortfall Statement (RESS) for the 2012 compliance period is 14 February 2013. Comprehensive details regarding the 2012 compliance period will be provided in the 2013 Annual Report.

The 2012 Annual Report provides information about the 2011 compliance period that commenced on 1 January 2011 and ended on 31 December 2011. The due date for the lodgement of the EGR, SWH/SGUR, AEAS and RESS for the 2011 compliance period was 14 February 2012.

Summary of EGR and SWH/SGUR compliance and assessment

By 31 December 2012, a total of 310 EGRs were received for the 2011 generation year, with the expected number of EGRs being 337. Assessments of the EGRs continued throughout the 2012 calendar year. All EGRs were completed and the power stations' primary contacts were informed of the outcome of the assessment. The remaining 27 EGRs are not expected to be lodged due to various reasons including:

- the power stations are no longer in operation (decommissioned)
- the companies have requested that that their power stations be removed from the accreditation list, or
- the power stations are not able to be contacted.

By 31 December 2012, a total of 293 SWH/SGURs were received for the 2011 compliance period. All completed SWH/SGURs received were assessed, with confirmation of the assessment provided by the Clean Energy Regulator to the relevant company contact.

Table 8: Comparing eligibility and registered certificates by generation years to view certificates remaining uncreated

Category	2001[1]–2009 '000	2010 '000	2011 '000
REC eligibility			
Renewable energy power stations	34,386	9,229	10,058
Small-scale systems	19,988	30,272	56,649
Small generation units	3,094	25,998	53,528
Solar water heater	16,894	4,274	3,121
Total	**54,374**	**39,501**	**66,707**
Registered RECs			
Renewable energy power stations	34,376	9,229	10,057
Small-scale systems	19,988	30,272	56,649
Small generation units	3,094	25,998	53,528
Solar water heater	16,894	4,274	3,121
Total	**54,362**	**39,501**	**66,706**
RECs remaining			
Power stations[2 3 4 5]	8	-	13
Small-scale systems[6]	**-**	**-**	**-**

1 The Renewable Energy Target scheme commenced on 1 April 2001. The first compliance period being 2001 was nine months. All other compliance years are full calendar years.

2 The number of LGCs remaining can change if EGRs are amended or additional information is received by the Clean Energy Regulator for example, at the conclusion of an audit. However, under Section 19 of the Act nominated persons are no longer eligible to create LGCs in respect of the 2001–2011 generation years after 31 December 2012.

3 In the 2010 generation year, less than 300 certificates remained uncreated by 16 registered persons, including three registered persons who failed to create certificates for eligible generation.

4 In the 2011 generation year, less than 620 certificates remained uncreated by 27 registered persons, including four registered persons who failed to create certificates for eligible generation.

5 In the 2011 generation year, 12,779 certificates were improperly created and became registered for two registered persons. An enforceable undertaking was acknowledged by one registered person for the improper creation of certificates and the number of certificates improperly created were voluntary surrendered during 2012.

6 There are no remaining certificates for SWHs as the time allowed to create these has expired. From 6 October 2007 there are no certificates remaining for SGUs as the time allowed to create these has expired. From 1 April 2001 to 5 October 2007 there still could be certificates remaining for SGUs if eligibility requirements are met. There is no data available to report the number of certificates remaining for this category.

Summary of AEAS and RESS compliance and assessment

AEAS and RESS assessments for 2001–2010 compliance years were analysed by the former Office of Renewable Energy Regulator (ORER) and the 2011 compliance year by ORER and the current Clean Energy Regulator.

From 1 January 2011, the RET was split into the LRET and SRES. For liable entities this means that there are two targets to meet LRET and SRES. As a requirement of the split the:

- LRET annual interim targets were adjusted.[3] In 2011, the 2012 and 2013 targets were proportionately increased and 2016—2019 targets were proportionately decreased by the total increased amount. From 1 July 2012, the 2012—2020 targets were proportionately increased to support the introduction of waste coal mine gas as an eligible renewable energy source
- SRES annual interim targets are set and calculated on a yearly basis.[4]

2011 is the first assessed compliance year that represents the LRET and SRES. Graph 10 represents the number of STCs that have been accepted to discharge a mandatory liability for LRET under the Act for the given compliance year against the legislated target. Graph 11 represents the number of LGCs that have been accepted to discharge a mandatory liability for SRES under the Act for the given compliance year against the legislated target. For more information about the LRET and SRES targets see the RPP and STP pages of the Clean Energy Regulator website.

AEAS and RESS liability and assessment

By 31 December 2012, a total of 56,950,592 LGCs were accepted for surrender against the 2001 to 2011 compliance periods and banked against future liabilities. LGCs which have been accepted for surrender against future liabilities are carried forward surplus LGCs. The carried forward surplus LGCs can be used by relevant liable entities to discharge their liability for future compliance periods.

For the 2011 compliance year, there were 86 liable entities that lodged an AEAS and RESS by 14 February 2012. This represents six liable entities with a total shortfall of 3,231 LGCs. One of which was required to pay the LGSC representing 2,537 LGCs.[5]

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[3] LRET annual interim targets. Available from the Clean Energy Regulator website, http://ret.cleanenergyregulator.gov.au/For-Industry/Liable-Entities/rpp.

[4] SRES annual interim targets. Available from the Clean Energy Regulator website, http://ret.cleanenergyregulator.gov.au/For-Industry/Liable-Entities/stp.

[5] List of LGC shortfalls. Available from the Clean Energy Regulator website, http://ret.cleanenergyregulator.gov.au/For-Industry/RET-Liable-Entities/List-of-liable-entities-with-shortfalls.

Overall, liable entities had a 99.97 per cent LGC compliance surrender rate.

For the 2011 compliance year, there was 214,208,303.1 MWh of relevant acquisitions of electricity and 27,187,757.4 MWh of partial exemptions had been reported resulting in a reduced relevant acquisition amount of 187,020,545.7 MWh. This resulted in a LGC liability of 10,510,555.[6] For LGC surrender details see Table 9.

Table 9: Summary of certificate surrender for the 2011 compliance period as at 31 December 2012 compared to the targets

Compliance year	Interim target	LGCs surrender
2011	10,400,000	10,569,483
2001–2010	46,700,000	46,381,109
Total 2001–2011	**57,100,000**	**56,950,592[1]**
2011 LGCs surrendered against future liability	N/A	54,938
2011 LGC LGSC shortfall	N/A	2,538
2011 LGC carried forward shortfall[2]	**N/A**	**665**

1 This includes certificates surrendered against future liability.

2 Not all LGC shortfalls resulted in the payment of the penalty of $40 per MWh for 2001 to 2009 and $65 per MWh for 2010, as shortfalls within 10 per cent of the total requirement are carried forward to next year's LGC liability.

AEAS and RESS liability and assessment—SRES

By 31 December 2012, a total of 28,187,379 STCs were accepted for surrender against the 2011 compliance period and banked against future liabilities. STCs which have been accepted for surrender against future liabilities are carried forward surplus STCs. The carried forward surplus STCs can be used by relevant liable entities to discharge their liability for future compliance periods on a quarterly basis.

For the 2011 compliance year, there were 86 liable entities that lodged an AEAS and RESS by 14 February 2012. This represents four liable entities with a total shortfall of 19,867 STCs. All were required to pay the STSC due to STC legislative requirements unlike LGC legislative requirements that allows a 10 per cent buffer. There is no buffer for STC shortfalls. For more information about STC shortfalls.[7] Overall liable entities had a 99.93 per cent STC compliance surrender rate.

6 The sum of individual MWh liability may produce a total liability greater or lesser than the liability calculated by multiplying total reduced relevant acquisitions by the 2011 Renewable Power Percentage (RPP). This is due to the rounding of individual LGC liabilities to whole LGC liabilities.

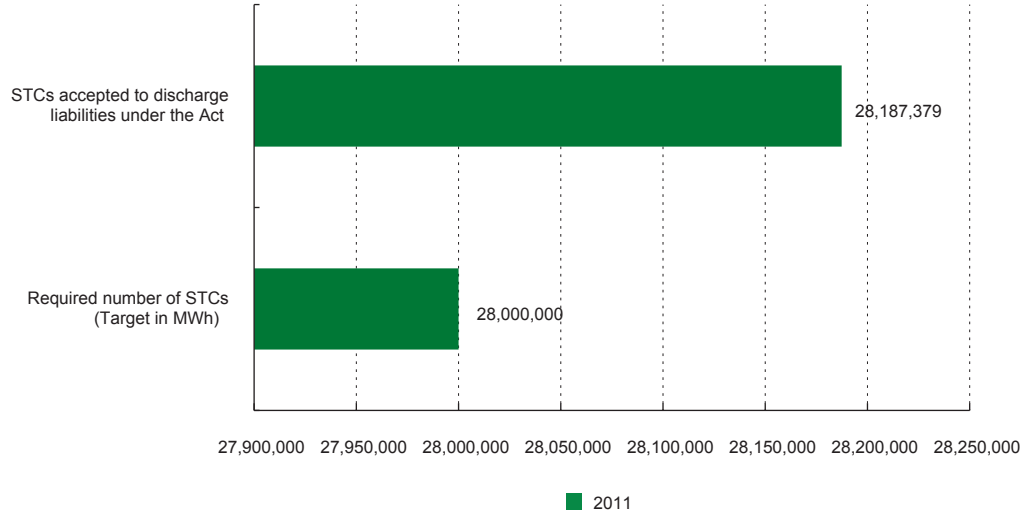
7 List of STC shortfalls. Available from the Clean Energy Regulator website, http://ret.cleanenergyregulator.gov.au/For-Industry/RET-Liable-Entities/List-of-liable-entities-with-shortfalls.

For the 2011 compliance year, there was 214,208,303.1 MWh of relevant acquisitions of electricity and 27,187,757.4 MWh of partial exemptions had been reported resulting in a reduced relevant acquisition amount of 187,020,545.7 MWh. This resulted in a STC liability of 27,679,041.[8] For STC surrender details see Table 10.

Table 10: Summary of certificate surrender for the 2011 compliance period as at 31 December 2012 compared to the target

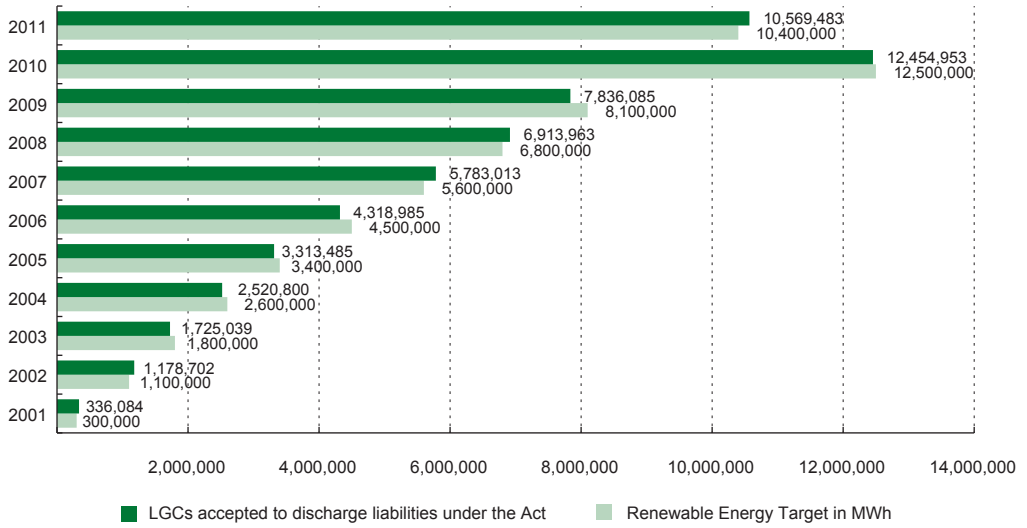
Compliance year	Interim target	STCs surrender
2011	28,000,000	28,187,379
2011 STCs surrendered against future liability	N/A	508,334
2011 STC LGSC shortfall	N/A	19,867

Graph 10: STCs accepted to discharge a mandatory liability



[8] The sum of individual MWh liability may produce a total liability greater or lesser than the liability calculated by multiplying total reduced relevant acquisitions by the 2011 Small-scale Technology Percentage (STP). This is due to the rounding of individual STC liabilities to whole STC liabilities.

Graph 11 LGCs accepted to discharge a mandatory liability



Compliance with legislation

Table 11 shows the compliance activities Clean Energy Regulator conducted on a monthly basis during 2012. These activities do not include investigations, desktop reviews or audits.

Table 11: Compliance activities January–December 2012

Activity	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Site visits[1]	0	11	7	0	1	0	2	10	0	1	0	0	32
Pre-validation checks[2]	7,571	5,996	7,087	4,418	6,879	6,450	8,429	11,581	7,074	6,750	8,226	4,682	85,143
Outreach visits[3]	0	0	0	0	6	0	0	1	0	1	5	0	13
Warrants executed[4]	0	0	0	0	0	1	0	2	2	0	0	0	5
Compliance visits[5]	4	6	3	10	6	5	4	8	6	7	17	6	82
Enforceable undertakings[6]	0	0	0	1	0	0	2	1	1	0	0	0	5

1 Site visits include physical visits to installation sites, but also include physical checks of sites where installations are viewed from the street to confirm that an installation has occurred.

2 Pre-validation checks are checks carried out prior to the validation of certificates. These include telephone verification with the system owner, checks of aerial photography to verify installation, requests and review of compliance paperwork from Agents and physical site inspections.

3 Outreach visits are visits to stakeholders that are not in response to a specific compliance issue and can be instigated either by the Clean Energy Regulator or at request from the stakeholder.

4 Warrants executed refer to the execution of monitoring warrants under Section 125 of the Act.

5 Compliance visits refers to visits to stakeholders in relation to specific compliance issues.

6 The Clean Energy Regulator may accept an undertaking from a person that they will take specific action or refrain from taking specific action to comply with the Act or that the person will surrender one or more certificates to compensate for the creation of certificates that they were not entitled to create. If a person enters such an undertaking and the Clean Energy Regulator considers that the person has breached the undertaking the Regulator may apply to the federal court for enforcement of the order.

Compliance outcomes

The RET compliance activities undertaken have increased stakeholder awareness of their compliance obligations. The updated compliance web page and publishing of compliance statistics sends a clear message to stakeholders of the Clean Energy Regulator's commitment to ensuring compliance with the Act by all parties.

The compliance team actively investigates allegations of breaches of the Act. During 2012, the compliance team received 147 allegations and has 50 matters currently open. This includes 45 open cases, three referrals under assessment and two information reports currently being assessed.

The majority of matters requiring further attention in 2012 related to the improper creation of certificates for PV installations.

A total of 134 matters were closed during 2012. While none of the closures were as a result of a finalised prosecution, investigations resulted in a range of administrative action being taken which included:

- warning letters
- voluntary surrender of certificates, and
- voluntary rectification of installations.

In addition, five enforceable undertakings were agreed by the Clean Energy Regulator arising from the outcomes of investigations and four REC Registry accounts were suspended while investigations were undertaken. Two of these accounts are still suspended.

In support of investigations, the compliance team executed three monitoring warrants, assistance was provided to the New South Wales police for one warrant and one warrant under the *Crimes Act 1914* was executed with the assistance of the Australian Federal Police.

While the aim of the Clean Energy Regulator is to achieve voluntary compliance, civil and criminal prosecutions are pursued in the more serious matters and in accordance with the Compliance and Enforcement Framework. One matter is currently before the Federal Court for a consideration of a civil prosecution and one matter has recently been heard in the NSW District Court, resulting in a conviction and a sentence of imprisonment, to be served by home detention.

Inspections of small-scale solar panels, wind and hydro systems

The Clean Energy Regulator inspects SGUs under Section 23AAA of the Act for their compliance with the eligibility criteria to claim certificates. Small-scale solar panels are the most common installations on the rooftops of residential dwellings.

After completing a tender process, in February 2012 the Clean Energy Regulator established a panel of service providers for the provision of inspection services of SGUs. The Clean Energy Regulator entered into Deeds of Standing Offers with five service providers to inspect systems installed in New South Wales, the Australian Capital Territory, Victoria, Queensland, Western Australia, South Australia, the Northern Territory and Tasmania.

The contractors are Global Sustainable Energy Solutions, Master Electricians Australia, the Australian Solar Energy Society, Carbon Footie and Mark Loveridge.

The locations and numbers of systems inspected are proportionate to the systems installed across Australia for which certificates have been created. The systems for inspection are randomly selected by the Clean Energy Regulator.

The first round of inspections inspected 1,709 systems installed between 1 July 2010 and 31 December 2010.These inspections commenced in May 2011.

The second round of inspections inspected 1,348 systems installed between 1 January 2011 and 30 April 2011. These inspections commenced in November 2011.

The third round of inspections inspected 1,685 systems installed between 1 May 2011 and 31 August 2011. These inspections commenced in March 2012.

In addition to the above, a fourth round of inspections included 191 school systems installed between 1 September 2009 and 31 March 2012. These systems and the inspections were funded under the Department of Climate Change and Energy Efficiency's National Solar School Program. These inspections commenced in April 2012.

The fifth round of inspections intends to inspect 1,700 systems installed between 1 September 2011 and 31 December 2011. These inspections commenced in September 2012. As at 31 December, 488 completed inspections reports had been received.

Table 12: Number of final inspection reports received by the Clean Energy Regulator up to 31 December 2012

State	Unsafe*	Sub-standard*	Total number
ACT	7	8	91
NSW	70	373	1,823
NT	3	4	21
QLD	44	168	1,313
SA	26	150	649
TAS	6	11	68
VIC	55	110	866
WA	39	117	590
Total	**4.6%**	**17.4%**	**5,421**

* As defined by the Clean Energy Regulator.

Liability assessment audits

In 2012, the Clean Energy Regulator initiated two field audits, visiting liable entities about their compliance obligations for the 2011 year. All audits were completed in 2012. The audits were performed to substantiate information provided to the Regulator and to determine compliance with the Act.

The field audits confirmed that all audited liable entities were reporting consistently and fully in accordance with the legislation. As in previous years, the Clean Energy Regulator found that some liable entities appear to lack the properly documented internal procedures that would lead to efficient and accurate reporting of relevant acquisitions.

Chapter 3

Other activities

Amending the Act

The Clean Energy Regulator continues to work with the relevant department to identify issues and develop solutions in respect of a variety of administrative matters related to the Renewable Energy Target (RET).

For information regarding the scope of the legislative changes visit the legislation pages on the Clean Energy Regulator website.

Amending the Regulations

The Regulations were established on 6 February 2001, and have subsequently been amended several times.

During 2012, one amendment was conducted by the former Office of the Renewable Energy Regulator prior to being amalgamated into the Clean Energy Regulator. Eight amendments were conducted by the former Department of Climate Change and Energy Efficiency.

Table 13: Number of Regulation amendment rounds as at 31 December 2012[1]

Year	Clean Energy Regulator[2]	DCCEE[3]	Total
2012	1	8	9
2001–2011	19	24	43
Total	**20**	**32**	**52**

1 For more information http://ret.cleanenergyregulator.gov.au/For-Industry/Legislation/regulation-amendments.

2 *The Legislative Instruments Act 2003* allows proposed Regulation amendments which are of a minor or machinery nature and that do not substantially alter existing arrangements to be exempt from a public consultation process.

3 For information on these regulation and transitional provision regulation amendments contact the Energy Markets and Policy Coordination Division in the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education.

The Act is also supported by Regulations referred to as transitional provisions:

- Renewable Energy (Electricity) Amendment (Transitional Provisions) Regulations 2010 that were made by the Department of Climate Change and Energy Efficiency to support the 2010 Amendment Act. These Regulations were amended once in 2010, and
- Renewable Energy (Electricity) Amendment (Transitional Provisions) Regulations 2009 that were made by the Department of Climate Change and Energy Efficiency to support the 2009 Amendment Act.

New amendments are expected each year to set future renewable power percentages and small-scale technology percentages.

Renewable Energy Certificate Registry

The Act requires the Regulator to maintain seven registers by electronic means. The public registers are made available for this purpose. These sit in the Renewable Energy Certificate (REC) Registry system which also allows for the online creation, registration, transfer, voluntary surrender and surrender of certificates. The REC Registry has been in operation since 1 April 2001.

The REC Registry was re-launched on 5 June 2006 at www.rec-registry.gov.au, following the awarding of the contract to develop and run the REC Registry software through to 31 July 2010 to AusRegistry International Pty Ltd. In 2011 the contract was extended through to 31 July 2013.

In accordance with the Commonwealth Procurement Guidelines, the Office of the Renewable Energy Regulator issued an open Request for Tender via AusTender on 14 February 2012, which closed on 29 March 2012. Following a series of clarification meetings with respondents a preferred Tenderer, AusRegistry International Pty Ltd, was selected and invited to participate in Best and Final Offer negotiations. A resulting contract was executed on 26 June 2012.

The REC Registry underwent minor amendments throughout the 2012 calendar year. Of significance was the rebranding of the REC Registry to reflect the machinery of government change which amalgamated the Office of the Renewable Energy Regulator into the Clean Energy Regulator and the addition of a fifth postcode zone for air source heat pumps, introduced in November 2012.

The Clean Energy Regulator has commenced planning and development under the new REC Registry contract. The current REC Registry contract will be extended out to June 2014 to allow for a smooth transition from the current system in early 2014.

Advice to industry

The Clean Energy Regulator communicates regularly with scheme participants and stakeholders including circulating reminders of administrative, reporting and compliance requirements, and informing stakeholders of software upgrades to the REC Registry.

Information regarding important updates is also sent directly to all REC Registry users via email when appropriate.

Working with industry

The Clean Energy Regulator has dedicated substantial resources to working with scheme participants and stakeholders to provide information and support on how to participate in the RET.

The Clean Energy Regulator continues to provide telephone/email assistance through the Clean Energy Regulator contact centre. Clean Energy Regulator senior staff regularly present at industry forums and staff meet face to face with many stakeholders and interested parties. Feedback from participants assists the Clean Energy Regulator in refining and developing systems to better serve the objectives of the Act and Regulations.

Working with government agencies

The Clean Energy Regulator maintains strong links with the former Department of Climate Change and Energy Efficiency, Department of Resources Energy and Tourism and the Department of Sustainability, Environment, Water, Population and Communities whilst also continuing to liaise with other interested Commonwealth and state and territory government departments and agencies. Some of these include NSW Greenhouse Gas Reduction Scheme, GreenPower, Queensland Gas Scheme, and the Western Australian Public Utilities Office and the Essential Services Commission Victoria.

Working with the community

The Clean Energy Regulator provides information to a variety of scheme participants and stakeholders, ranging from individuals wishing to create certificates for solar panels to special purpose interest groups and renewable energy power station proponents.

Glossary

Accreditation

A process of determining if a power station is eligible to participate in the LRET and contribute to the achievement of annual targets

AEAS

Annual Energy Acquisition Statement

Agents

Agents are registered persons that are able to create certificates on behalf of owners of eligible small-scale installations who have assigned their right to create certificates to the Agent

Assessment year

The period, over which each annual target must be achieved, which, except for 2001, is a full calendar year and relates to the surrender of certificates by liable entities

Baseline

Baselines are determined by the Regulator for accredited power stations. Only renewable electricity generated above the annual baseline is eligible for certificates. A baseline for a power station that first generated electricity on or after 1 January 1997 is zero

Certificate

Certificate refers to both large-scale generation certificates (LGCs) and small-scale technology certificates (STCs)

Compliance period

The period, over which each annual target must be achieved, which, except the 2001 year, is a full calendar year

DCCEE

Department of Climate Change and Energy Efficiency

EGR

Electricity Generation Return

EITE

Emissions-intensive trade-exposed

Eligibility

The eligibility to create certificates

Eligible entities

Parties that are eligible to create certificates for renewable electricity generated by accredited power stations or small-scale systems

Generation year

The period is a full calendar year and relates to the creation of certificates from eligible renewable energy power stations or small-scale system installations

kW

Kilowatt—one thousand watts

kWh

Kilowatt hour—a measure of electricity generation or use (one thousand watt hours)

LGC

Large-scale generation certificate (LGC) is an electronic certificate that may be created in the REC Registry by eligible entities for each megawatt hour of eligible renewable electricity generated from renewable energy power stations. LGCs may be traded separately from the physical electricity in the LGC market

LGSC

Large-scale Generation Shortfall Charge

Liability

The liability to surrender certificates or pay a renewable energy shortfall charge

Liable entities

Entities that make wholesale acquisitions of electricity

LRET

Large-scale Renewable Energy Target

Mandatory surrender

Section 29, 44, 44A, 45, 45C, 45D or 95 allows liable entities to mandatory surrender certificates to meet their compliance obligations under the Act. A certificate that is accepted for mandatory surrender is permanently removed from the certificate market

Minister

Minister for Climate Change, Industry and Innovation

MWh

Megawatt hour—a measure of electricity generation or use (one thousand kilowatt hours)

Nominated person

A nominated person is able to apply for accreditation of a power station under the Act. The nominated person can be the owner, operator or a stakeholder of the power station

ORER

Office of the Renewable Energy Regulator. ORER was amalgamated with the Clean Energy Regulator on 2 April 2012

PEC

Partial Exemption Certificate

Prescribed Persons

Emissions-intensive trade-exposed entity eligible to apply for Partial Exemption Certificates

REC

Renewable Energy Certificate. Due to amendments to the Act, RECs were divided into two certificate types and reclassified as large-scale generation certificates (LGCs) and small-scale technology certificates (STCs) effective from 1 January 2011

REC Registry

Internet-based registry system, which is referred to as the REC Registry www.rec-registry.gov.au

Registered person

A person registered under Section 11 of the Act and listed in the Register of Registered Persons. Only registered persons are able to create certificates

Registration of certificates

The change in status required for a certificate to be traded and/or surrendered against a liability, which results from providing sufficient information to support the creation of certificates for validation and payment of a specified fee

Regulator

The Clean Energy Regulator appointed under Section 143 of the Act

RESC

Renewable Energy Shortfall Charge. Due to amendments to the Act, the RESC was divided into two: the Large-scale Generation Shortfall Charge and the Small-scale Technology Shortfall Charge

RESS

Renewable Energy Shortfall Statement

RET

Renewable Energy Target

RPP

Renewable power percentage

SGU

A small generation unit is a device that generates electricity using either hydro, solar or wind energy and can be a deemed unit under the Regulations

Shortfall Charge

Is the amount of charge payable under the appropriate Act for a LGC or STC shortfall were certificates were not surrendered by the annual reporting date or quarterly surrender period. A LGC shortfall, if calculated payable, relates to the Large-scale Generation Shortfall Charge under the *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000.* An STC shortfall relates to the Small-scale Technology Shortfall Charge under the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010*

Small-scale system

A solar water heater or small generation unit installation that is eligible for REC creation. The eligibility requirements for small-scale systems are set out in the Regulations

SRES

Small-scale Renewable Energy Scheme

STC Clearing House

The STC Clearing House facilitates the exchange of small-scale technology certificates (STCs) between buyers and sellers at the fixed price of $40 (excl. GST).

STP

Small-scale technology percentage

STSC

Small-scale Technology Shortfall Charge

SWH

A solar water heater is a device that heats water from solar energy and can only create STCs as a deemed unit under the Regulations. Solar water heaters that are eligible to create STCs are listed in the Register of Solar Water Heaters

SWH/SGUR

Solar Water Heater and Small Generation Unit Return

The Act

The *Renewable Energy (Electricity) Act 2000*

The Amendment Acts

The *Renewable Energy (Electricity) Amendment Act 2009* or the *Renewable Energy (Electricity) Amendment Act 2010*

The Charge Acts

The *Renewable Energy (Electricity) (Large-scale Generation Shortfall Charge) Act 2000* or the *Renewable Energy (Electricity) (Small-scale Technology Shortfall Charge) Act 2010*

The Regulations

The Renewable Energy (Electricity) Regulations 2001

Voluntary surrender

Section 28A allows a registered owner to offer certificates for surrender for any reason other than to comply with mandatory liabilities under Section 44 or 95. A certificate that is accepted for surrender under Section 28A is permanently removed from the certificate market